

- PRIVILEGED AND CONFIDENTIAL -  
- FOR DISCUSSION PURPOSES ONLY -  
- SUBJECT TO MEDIATION PRIVILEGE -

# AUGUST 24 PSA CREDITORS PROPOSAL

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August 24, 2020

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# INTRODUCTION

In response to the economic reality caused by the pandemic, PSA creditors propose the following adjustments to the PSA

## Total Consideration

- **Reduce maximum annual debt service (“MADS”) to \$1,050MM from FY2020 to FY2021 and \$1,197MM from FY2022 to FY2044**
  - 50% of bonds will be general obligation bonds and 50% will be COFINA 2L bonds (collectively, the “New Bonds”)
  - Deemed issuance date of March 1, 2020
  - 25-year term
- **Upfront cash consideration of \$5,984MM**
- **A portion of recovery in 5.5% Pledged SUT Equity**
  - 5.5% SUT Equity will receive 50% of the difference between the actual 5.5% Pledged SUT collections and 80% of the 5.5% Pledged SUT implied by the May 27, 2020 Certified Fiscal Plan (see pages 10 - 12 for more detail)
  - 5.5% SUT Equity will terminate on July 1, 2040 with no further payment obligations
  - The Commonwealth cannot change the scope and amount of the 5.5% Pledged SUT. The Commonwealth may not exempt goods from the 5.5% Pledged SUT without providing for substitution of collateral of equal value
- **The recoveries to creditors under this proposal maintain the same relative step down negotiated among creditors as under the existing PSA**
  - After accounting for stepdowns among classes, all parties receive their pro rata share of total distributable value to GO and PBA bondholders less \$1,073MM for PBA’s administrative claim and \$400MM of PSA Restriction Fee and Consummation Costs
- **PSA to include provisions to protect creditors against renegotiation**
- **Mechanics of new PSA to be negotiated with new milestones and covenants**
- **Reduces maximum annual debt service to \$1,050MM through FY2021 to provide immediate relief post-COVID-19**
- **Reduces nominal debt service by \$4.6BN relative to PSA**
- **Payments to the 5.5% SUT equity are variable and automatically provides the Commonwealth relief if risks to the Certified Fiscal Plan materialize**
- **Significantly improves pro forma credit metrics relative to comparable mainland states (see page 7 for more detail)**

## Key Benefits

# PROPOSED REVISED PSA (\$MM)

In response to the economic reality caused by the pandemic, PSA creditors propose the following adjustments to the PSA

CW Consideration Available for GO / PBA Bondholders			
	February 9, 2020 PSA	July 30 FOMB Proposal	August 24 PSA Creditors Proposal
<b>Assumptions</b>			
Annual Debt Service	\$1,472	\$1,050	FY20-FY21: \$1,050 FY22-FY44: \$1,197
Debt Service as a % of Own-Source plus COFINA Revenues <sup>(1)</sup>	8.8%	6.8%	7.8%
Term / Years of Cash Flow	20 Years	20 Years	25 Years
Deemed Issuance Date	3/1/2020	7/1/2021	3/1/2020
True Interest Cost	5.548%	4.135% - 4.811%	5.548%
Duration	7.2 Years	6.8 - 6.9 Years	7.7 Years
<b>Consideration Summary</b>			
Total Debt <sup>(2)</sup>	\$10,669	\$4,993 - \$5,220	\$7,406
Cash Consideration	3,809	5,984	5,984
5.5% Pledged SUT Equity <sup>(3)</sup>	N/A	N/A	611
<b>Total CW Consideration</b>	<b>\$14,478</b>	<b>\$10,976 - \$11,204</b>	<b>\$14,001</b>
Less: CW Consideration to Non-GO / PBA Creditors	(527)	(50)	(50)
Less: PSA Fee and Consummation Costs	(400)	(400)	(400)
<b>CW Consideration Available for GO / PBA</b>	<b>\$13,551</b>	<b>\$10,526 - \$10,754</b>	<b>\$13,551</b>
<b>Implied Recoveries</b>			
GO / PBA Blended Recovery (Claims Net of OID) <sup>(4)</sup>	73.6%	57.2% - 58.4%	73.6%
GO / PBA Blended Recovery (Claims Gross of OID) <sup>(5)</sup>	72.2%	56.1% - 57.3%	72.2%

(1) PSA calculated based on FY2019 own-source plus COFINA revenues per the May 9, 2019 Certified Fiscal Plan. Proposals calculated based on FY2020 own-source plus COFINA revenues per the May 27, 2020 Certified Fiscal Plan adjusted for actual General Fund revenues per Hacienda.

(2) Under the July 30 FOMB proposal, split between COFINA Jr. and GO bonds is to be determined. Coupon structure to be determined.

(3) Represents net present value as of July 1, 2020 using a discount rate of 20% and the projected 5.5% Pledged SUT implied by the May 27, 2020 Certified Fiscal Plan.

(4) Recoveries based on total GO / PBA claims (net of OID) of \$18,413 million.

(5) Recoveries based on total GO / PBA claims (gross of OID) of \$18,757 million.

## CONSIDERATION COMPARISON (\$MM)

In order to compare across proposals, the recovery consideration was rolled forward to an illustrative effective date of July 1, 2021

- The August 24 PSA Creditors Proposal reduces interest by ~\$182MM as of July 1, 2021

### Consideration Comparison

	February 9, 2020 PSA		July 30, 2020	August 24, 2020 PSA Creditors Proposal	
	Dated Date	As of	Dated Date	Dated Date	As of
	3/1/2020	7/1/2021	7/1/2021	3/1/2020	7/1/2021
Total Debt <sup>(1)</sup>	\$10,669	\$9,353	\$4,993 - \$5,220	\$7,406	\$6,705
Upfront Cash	3,809	3,809	5,984	5,984	5,984
5.5% Pledged SUT Equity <sup>(2)</sup>	N/A	N/A	N/A	611	512
Plus: Principal Payment to GO / PBA Creditors <sup>(3)</sup>	N/A	1,251	N/A	N/A	696
Plus: Interest Payment to GO / PBA Creditors <sup>(3)</sup>	N/A	699	N/A	N/A	518
Plus: Equity Payment	N/A	N/A	N/A	N/A	119
Less: CW Consideration to Non-GO / PBA Creditors <sup>(1)</sup>	(527)	(462)	(50)	(50)	(45)
Less: PSA Fee and Consummation Costs	(400)	(400)	(400)	(400)	(400)
<b>Recovery to GO / PBA Creditors</b>	<b>\$13,551</b>	<b>\$14,250</b>	<b>\$10,526 - \$10,754</b>	<b>\$13,551</b>	<b>\$14,089</b>
<i>Memo: Total Cash Consideration to GO / PBA Creditors<sup>(4)</sup></i>	<i>\$3,409</i>	<i>\$5,360</i>	<i>\$5,584</i>	<i>\$5,584</i>	<i>\$6,917</i>
<i>Memo: Duration (Years)<sup>(1)</sup></i>	<i>7.2</i>	<i>7.3</i>	<i>6.8 - 6.9</i>	<i>7.7</i>	<i>7.6</i>

(1) July 1, 2021 figures adjusted for the principal repayments through and including July 1, 2021.

(2) Represents net present value as of July 1, 2020 using a discount rate of 20% and the projected 5.5% Pledged SUT implied by the May 27, 2020 Certified Fiscal Plan.

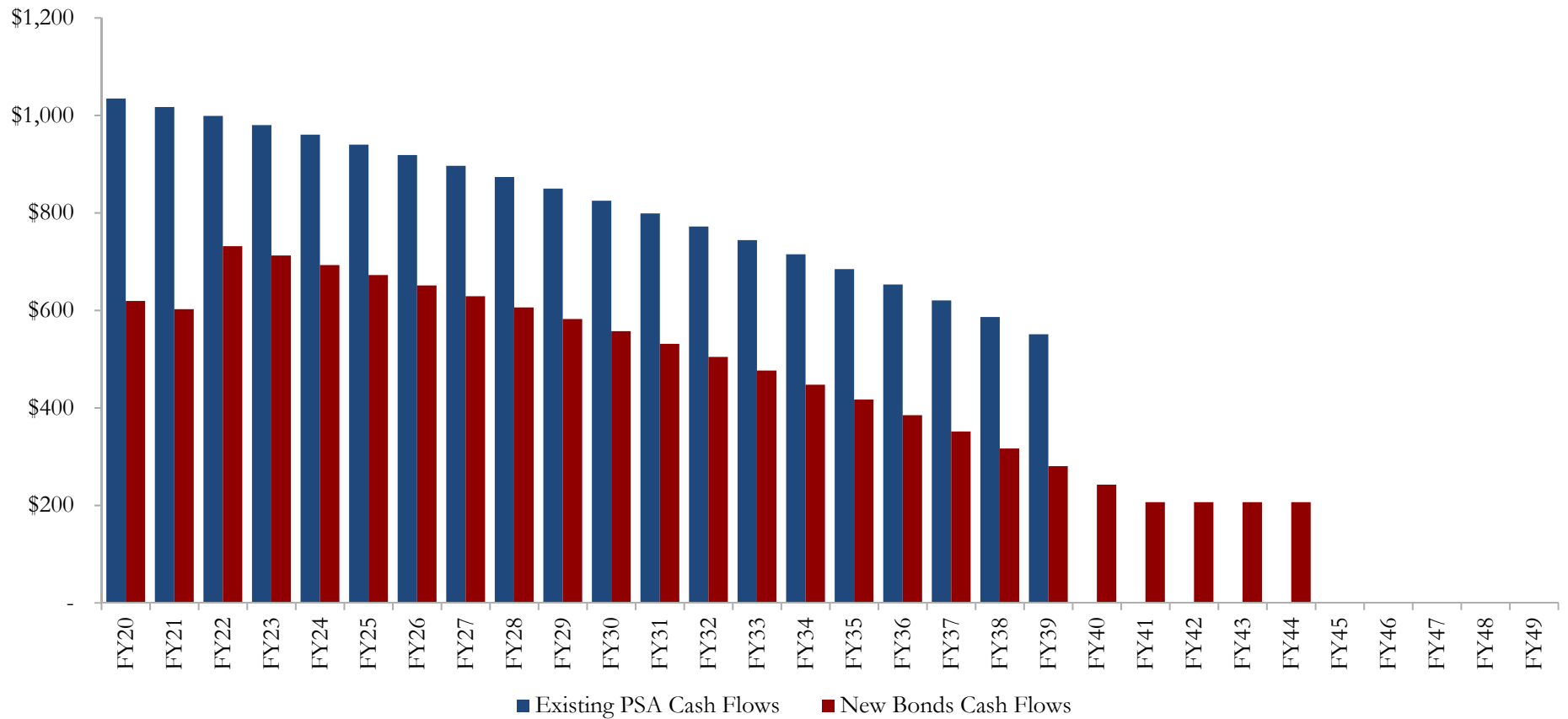
(3) July 1, 2021 figures represent the portion of the debt service attributable to the bonds for GO / PBA creditors.

(4) Does not include \$400 million PSA Fee.

# DEBT SERVICE SUMMARY (\$MM)

The August 24 PSA Creditors Proposal is based on maximum annual debt service of \$1,050MM in FY2020 to FY2021 and \$1,197MM in FY2022 to FY2044, totaling 25 years of cash flow which provides for \$7,406MM of principal

Debt Service Comparison<sup>(1)</sup>



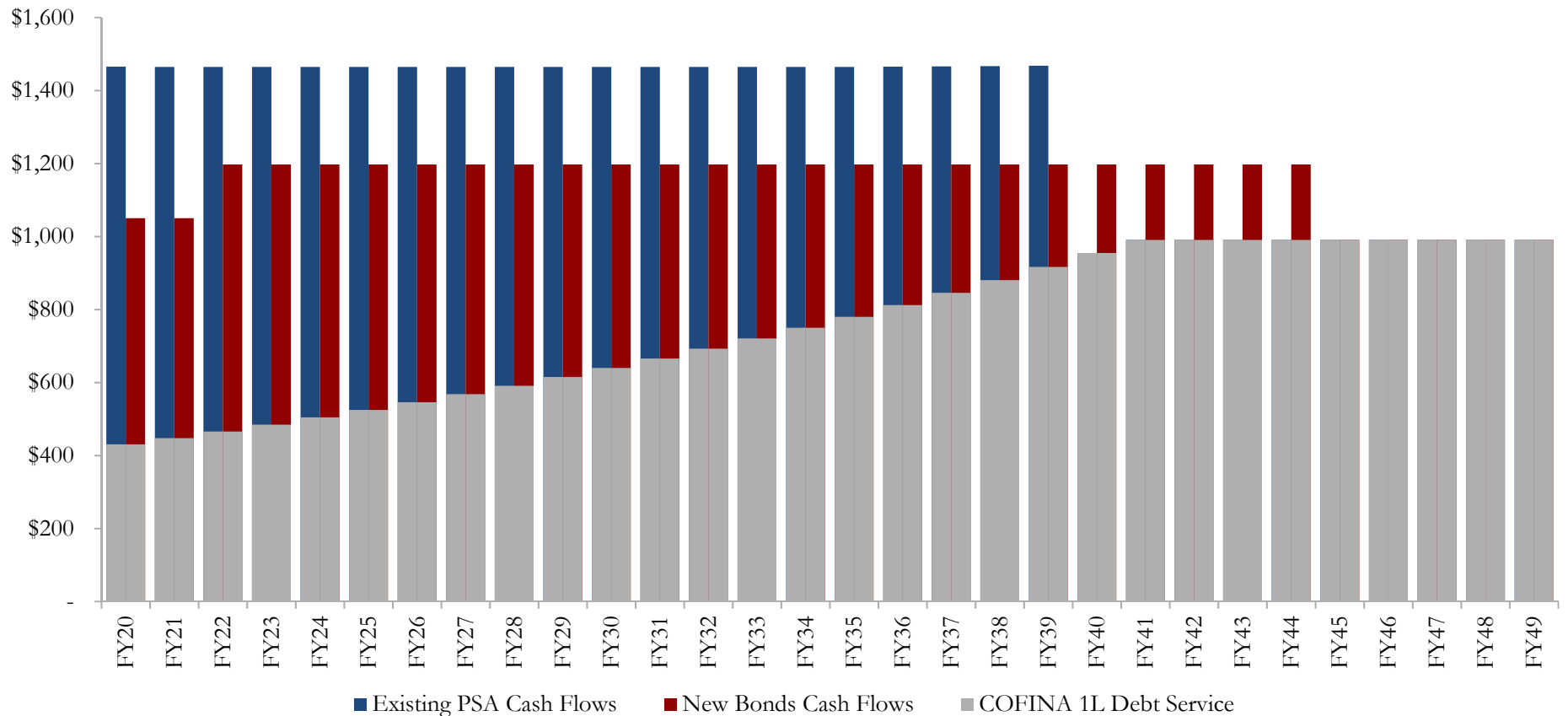
Note: Based on a weighted average discount rate of 5.548% as contemplated in the February 9, 2020 PSA.

(1) Excludes any cash flows from 5.5% Pledged SUT Equity.

# DEBT SERVICE SUMMARY (\$MM) (CONT'D)

The August 24 PSA Creditors Proposal is based on maximum annual debt service of \$1,050MM in FY2020 to FY2021 and \$1,197MM in FY2022 to FY2044, totaling 25 years of cash flow which provides for \$7,406MM of principal

Debt Service Comparison with COFINA 1L Debt Service



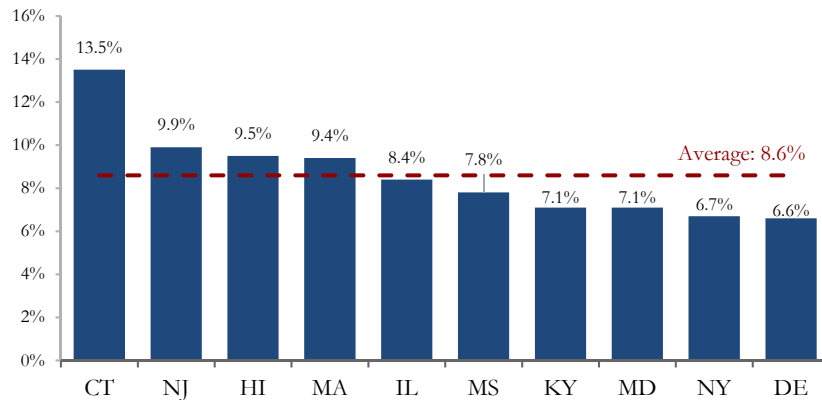
Note: Based on a weighted average discount rate of 5.548% as contemplated in the February 9, 2020 PSA.

(1) Excludes any cash flows from 5.5% Pledged SUT Equity.

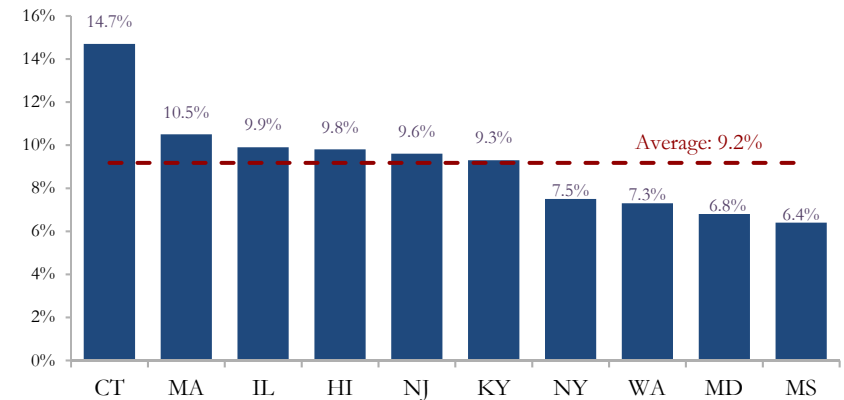
# DEBT SERVICE COMPARISON

Under the August 24 PSA Creditors Proposal, pro forma Puerto Rico debt service to own-source plus COFINA revenues is 7.8%, significantly lower than comparable mainland states

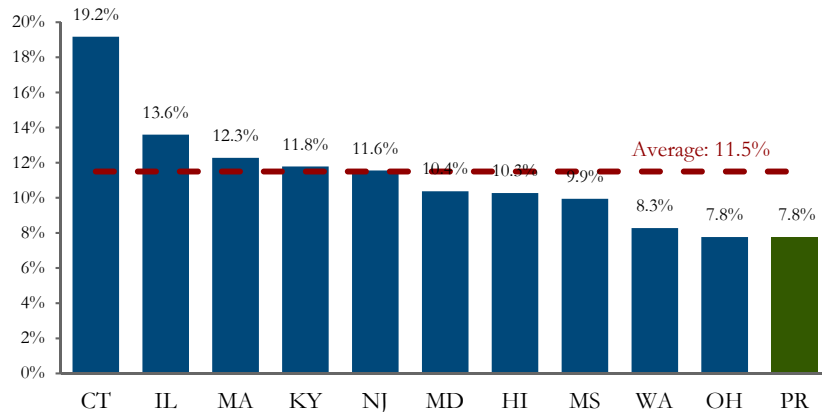
2020 CFP Debt Service-to-OS Revenue for Top 10 States<sup>(1)</sup>



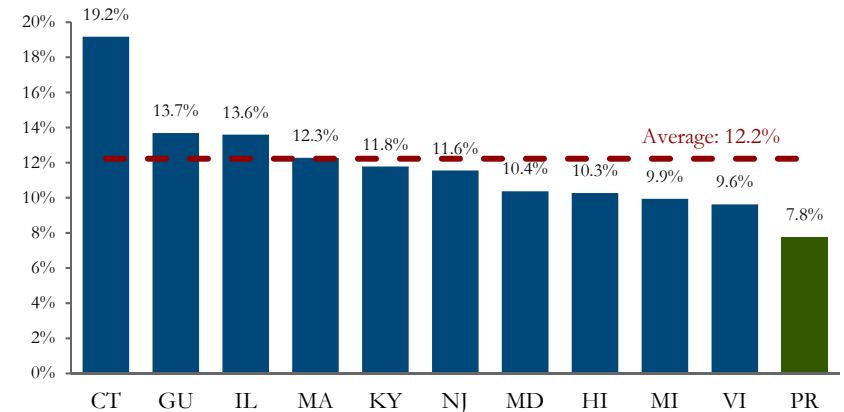
Moody's Debt Service-to-OS Revenue for Top 10 States<sup>(2)</sup>



FY2020 Projected Debt Service-to-OS Revenue for Top 10 States<sup>(3)</sup>



FY2020 Projected Debt Service-to-OS Revenue for Top 10 States + Territories<sup>(3)</sup>



(1) Based on Moody's report "Medians – Flat debt total signals cautious borrowing, despite infrastructure needs" from June 3, 2019.

(2) Based on Moody's report "Medians – State debt declined in 2019, but likely to grow in coming years" from May 12, 2020.

(3) Based on last publicly reported state / territory budgeted own-source revenue; Assumes FY2019 debt service in FY2020 and FY2021.

## POTENTIAL SOURCES OF ADDITIONAL CASH (\$MM)

Illustrative Available Cash		
	FY2020	FY2021
Beginning Cash Balance <sup>(1)</sup>	\$7,279	\$9,707
Primary Surplus / (Deficits) <sup>(2)</sup>	1,417	355
Emergency Reserve (Segregation / Replenishment) <sup>(3)</sup>	(520)	-
Systema 2000 Replenishment	-	(1,500)
Surplus Interest <sup>(4)</sup>	-	97
Additional Unrestricted Cash (Non-TSA) <sup>(5)</sup>	1,531	-
<b>Ending Cash Balance</b>	<b>\$9,707</b>	<b>\$8,659</b>
Less: Transfers in from / (out to) Pension Trust		(175)
Less: Minimum Working Capital <sup>(6)</sup>		(2,500)
<b>Available Balance</b>		<b>\$5,984</b>
Plus: Variance on FY2020 TSA Balance (See Appendix for Details)		549
Plus: Reimbursement to General Fund <sup>(7)</sup>		336
Plus: Elimination on FY2021 Upfront Reserves for “Priority Investments” <sup>(8)</sup>		586
Plus: Assumed FY2021 General Fund Revenue Outperformance <sup>(9)</sup>		257
Plus: Minimum Working Capital Assumption		1,000
Less: FY2020 and FY2021 Debt Service		(1,222)
<b>Adjusted Available Balance</b>		<b>\$7,491</b>

Note: This analysis utilizes the FOMB’s methodology in calculating the potential PSA unrestricted cash. The creditors do not adopt the FOMB’s analysis / methodology.

(1) TSA beginning balance as of June 30, 2019. Includes TSA sweep accounts.

(2) Primary surplus as of May 27, 2020 Certified Fiscal Plan. Includes surplus for all entities, including all Public Corporations except PRIDCO. Excludes COR Pension Cut Agreement and surplus at risk.

(3) Emergency reserve for FY2017, FY2018, FY2019 included in beginning TSA balance. Replenishment of FY2019 and FY2020 reserves.

(4) Assumes annual rate of 1.0% on TSA balances.

(5) Based on the Summary of Cash Restriction Analysis dated October 2, 2019 with cash balances as of June 30, 2019.

(6) Inclusive of Commonwealth working capital needs, FEMA advances, and initial liquidity for the PREPA T&D Project.

(7) Represents the amount of local funding that is expected to be reimbursed from federal funding per page 34 of the May 27, 2020 Certified Fiscal Plan. Subject to further diligence.

(8) Based on the May 27, 2020 Certified Fiscal Plan. Represents \$586 million in FY2021 of upfront funding for investments in later years. Subject to further diligence.

(9) Illustrative FY2021 General Fund revenue outperformance based on actual FY2020 General Fund revenue grown at the growth rate per the May 27, 2020 Certified Fiscal Plan.



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# CONTINGENT VALUE INSTRUMENT

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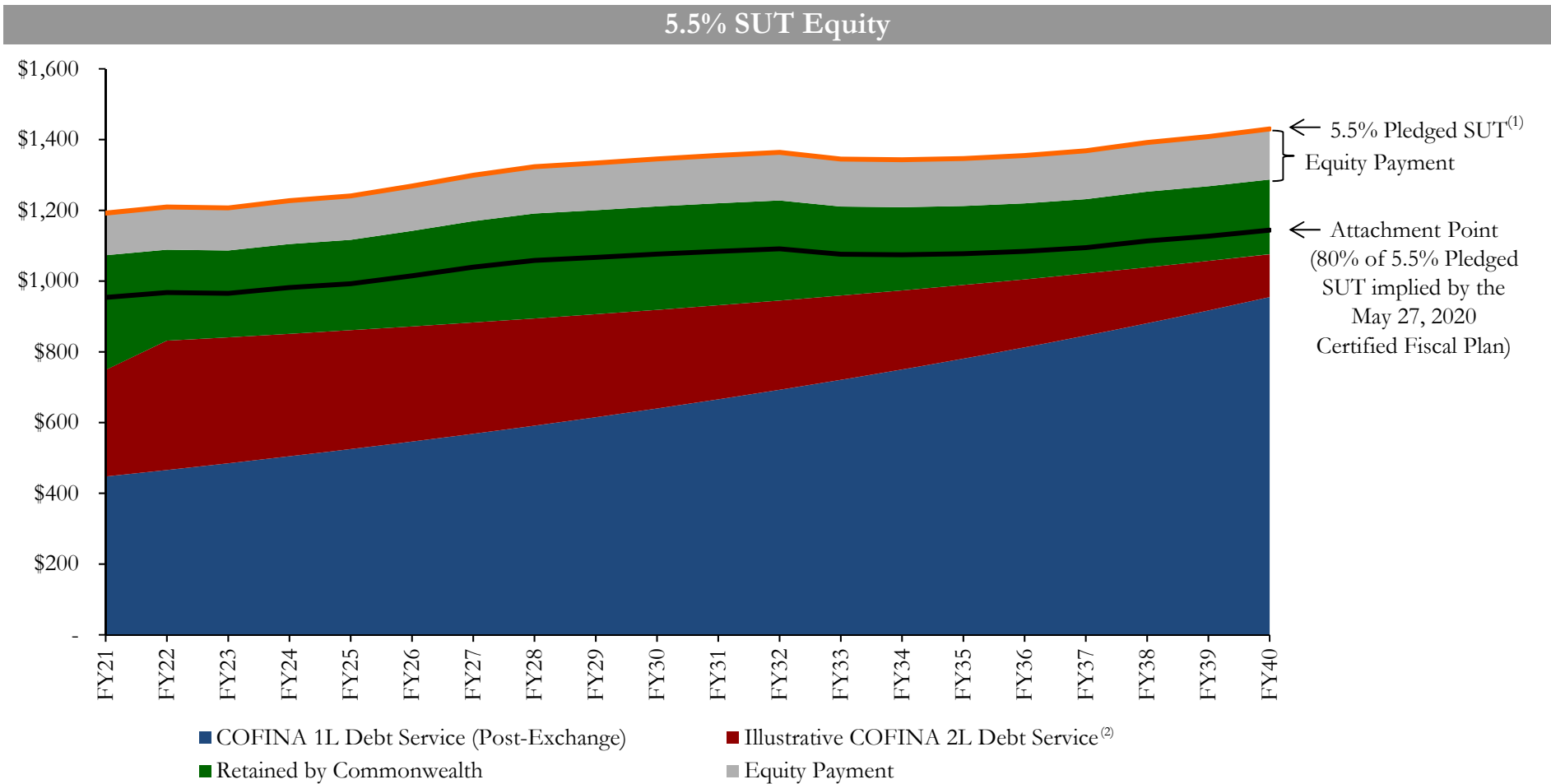
## 5.5% SUT EQUITY (\$MM)

### **The August 24 PSA Creditors Proposal contemplates a 20-year equity security of the 5.5% Pledged SUT (“5.5% SUT Equity”)**

- The 5.5% SUT Equity will receive 50% of the difference between the actual 5.5% Pledged SUT collections and 80% of the 5.5% Pledged SUT implied by the May 27, 2020 Certified Fiscal Plan Base Case
- 5.5% SUT Equity will terminate on July 1, 2040 with no further payment obligations
- The Commonwealth cannot change the scope and amount of the 5.5% Pledged SUT. The Commonwealth may not exempt goods from the 5.5% Pledged SUT without providing for substitution of collateral of equal value
- New York law and forum
- Other terms and conditions subject to agreement
- Payment caps TBD

# 5.5% SUT EQUITY (\$MM) (CONT'D)

**The 5.5% SUT Equity will receive 50% of every dollar exceeding 80% of the 5.5% Pledged SUT implied by the May 27, 2020 Certified Fiscal Plan**



(1) Illustratively shown as 5.5% Pledged SUT implied by the May 27, 2020 Certified Fiscal Plan. Actuals will vary.

(2) Illustratively shown as 50% of New Bonds cash flow. Actual split may vary.

## 5.5% SUT EQUITY (\$MM) (CONT'D)

**The 5.5% SUT Equity automatically provides the Commonwealth relief if risks to the Certified Fiscal Plan materialize**

### Payment to 5.5% SUT Equity Implied by the May 27, 2020 Certified Fiscal Plan Base Case (50% Sharing)

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Projected 5.5% SUT Collections (Implied by May 27, 2020 CFP Base Case) <sup>(1)</sup>	\$1,192	\$1,209	\$1,207	\$1,227	\$1,241	\$1,269	\$1,299	\$1,323	\$1,334	\$1,346
80% of Projected 5.5% SUT Collections (Implied by May 27, 2020 CFP Base Case)	954	968	966	982	993	1,015	1,039	1,059	1,067	1,076
Payment to 5.5% SUT Equity (Implied by May 27, 2020 CFP Base Case)	119	121	121	123	124	127	130	132	133	135
	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40
Projected 5.5% SUT Collections (Implied by May 27, 2020 CFP Base Case) <sup>(1)</sup>	\$1,355	\$1,364	\$1,345	\$1,343	\$1,347	\$1,355	\$1,368	\$1,392	\$1,409	\$1,430
80% of Projected 5.5% SUT Collections (Implied by May 27, 2020 CFP Base Case)	1,084	1,091	1,076	1,074	1,077	1,084	1,095	1,114	1,127	1,144
Payment to 5.5% SUT Equity (Implied by May 27, 2020 CFP Base Case)	136	136	134	134	135	135	137	139	141	143
<b>NPV as of July 1, 2020</b>	<b>\$611</b>									
<b>Discount Rate</b>	<b>20.0%</b>									

### Payment to 5.5% SUT Equity Implied by the May 27, 2020 Certified Fiscal Plan Downside Case (50% Sharing)

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Projected 5.5% SUT Collections (Implied by May 27, 2020 CFP Downside Case) <sup>(2)</sup>	\$1,145	\$1,119	\$1,106	\$1,125	\$1,137	\$1,157	\$1,177	\$1,197	\$1,217	\$1,237
80% of Projected 5.5% SUT Collections (Implied by May 27, 2020 CFP Base Case)	954	968	966	982	993	1,015	1,039	1,059	1,067	1,076
Payment to 5.5% SUT Equity (Implied by May 27, 2020 CFP Downside Case)	95	76	70	72	72	71	69	69	75	80
	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40
Projected 5.5% SUT Collections (Implied by May 27, 2020 CFP Downside Case) <sup>(2)</sup>	\$1,238	\$1,239	\$1,240	\$1,241	\$1,242	\$1,257	\$1,272	\$1,288	\$1,303	\$1,318
80% of Projected 5.5% SUT Collections (Implied by May 27, 2020 CFP Base Case)	1,084	1,091	1,076	1,074	1,077	1,084	1,095	1,114	1,127	1,144
Payment to 5.5% SUT Equity (Implied by May 27, 2020 CFP Downside Case)	77	74	82	83	83	87	89	87	88	87
<b>NPV as of July 1, 2020</b>	<b>\$378</b>									
<b>Discount Rate</b>	<b>20.0%</b>									

(1) 5.5% Pledged SUT projections based on the May 27, 2020 Certified Fiscal Plan SUT revenue projections for the General Fund, FAM, CINE and COFINA less the 4.0% Services Tax (B2B) and penalties, interest and other. B2B tax estimated based on FY2020 actuals adjusted for SUT exemptions grown at the SUT revenue growth rates in the May 27, 2020 Certified Fiscal Plan. Assumes penalties, interest and other stays at the FY2020 level. Subject to further diligence.

(2) Based on the nominal GNP implied by the downside scenario in Exhibits 5 and 24 of the May 27, 2020 Certified Fiscal Plan. 5.5% Pledged SUT is assumed to be 1.77% of nominal GNP.

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## SIDE-BY-SIDE COMPARISON

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## SIDE-BY-SIDE SUMMARY

	FEBRUARY 9, 2020 PSA	JULY 30, 2020 FOMB PROPOSAL	AUGUST 24, 2020 PSA CREDITORS PROPOSAL
PROPOSAL PARTIES	<ul style="list-style-type: none"> <li>▪ FOMB</li> <li>▪ LCDC</li> <li>▪ QTCB Noteholder Group</li> <li>▪ Ad Hoc Group of Constitutional Debtholders</li> <li>▪ Ad Hoc Group of General Obligation Bondholders</li> </ul>	<ul style="list-style-type: none"> <li>▪ FOMB</li> </ul>	<ul style="list-style-type: none"> <li>▪ LCDC</li> <li>▪ QTCB Noteholder Group</li> <li>▪ Ad Hoc Group of Constitutional Debtholders</li> <li>▪ Ad Hoc Group of General Obligation Bondholders</li> </ul>
TOTAL CONSIDERATION	<ul style="list-style-type: none"> <li>▪ \$14,478MM, consisting of: <ul style="list-style-type: none"> <li>– \$10,669MM bonds</li> <li>– \$3,809MM cash</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ \$10,976MM - \$11,204MM, consisting of: <ul style="list-style-type: none"> <li>– \$4,993MM - \$5,220MM bonds<sup>(1)</sup></li> <li>– \$5,984MM cash</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ \$14,001MM, consisting of: <ul style="list-style-type: none"> <li>– \$7,406MM bonds</li> <li>– \$5,984MM cash</li> <li>– \$611MM 5.5% SUT Equity<sup>(2)</sup></li> </ul> </li> </ul>
BASE CONSIDERATION TO GO / PBA	<ul style="list-style-type: none"> <li>▪ \$13,551MM, consisting of: <ul style="list-style-type: none"> <li>– \$10,142MM bonds</li> <li>– \$3,409MM cash</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ \$10,526MM - \$10,754MM, consisting of: <ul style="list-style-type: none"> <li>– \$4,943MM - \$5,170MM bonds<sup>(1)</sup></li> <li>– \$5,584MM cash</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ \$13,551MM, consisting of: <ul style="list-style-type: none"> <li>– \$7,356MM bonds</li> <li>– \$5,584MM cash</li> <li>– \$611MM 5.5% SUT Equity<sup>(2)</sup></li> </ul> </li> </ul>
BASE CONSIDERATION TO NON-GO / PBA	<ul style="list-style-type: none"> <li>▪ \$527MM bonds</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50MM bonds</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50MM bonds</li> </ul>
BLENDED GO / PBA RECOVERY <sup>(3)</sup>	<ul style="list-style-type: none"> <li>▪ Based on claims gross of OID: 72.2%</li> <li>▪ Based on claims net of OID: 73.6%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Based on claims gross of OID: 56.1% - 57.3%</li> <li>▪ Based on claims net of OID: 57.2% - 58.4%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Based on claims gross of OID: 72.2%</li> <li>▪ Based on claims net of OID: 73.6%</li> </ul>
PBA OWN-SOURCE RECOVERY	<ul style="list-style-type: none"> <li>▪ \$1,073MM cash</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ Same as existing PSA</li> </ul>

Note: All stated recoveries are calculated on the respective proposal date. All items remain subject to additional diligence.

(1) Range of total debt under the July 30, 2020 FOMB Proposal reflect illustrative max GO and max COFINA Jr. scenarios, respectively.

(2) Represents net present value as of July 1, 2020 using a discount rate of 20% and the projected 5.5% Pledged SUT implied by the May 27, 2020 Certified Fiscal Plan.

(3) Excludes PSA Restriction Fee and Consumation Costs.

## SIDE-BY-SIDE SUMMARY (CONT'D)

	FEBRUARY 9, 2020 PSA	JULY 30, 2020 FOMB PROPOSAL	AUGUST 24, 2020 PSA CREDITORS PROPOSAL
5.5% SUT EQUITY	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ 5.5% SUT Equity will receive 50% of the difference between the actual 5.5% Pledged SUT collections and 80% of the 5.5% Pledged SUT implied by the May 27, 2020 Certified Fiscal Plan               <ul style="list-style-type: none"> <li>– 5.5% SUT Equity will terminate on July 1, 2040 with no further payment obligations</li> <li>– The Commonwealth cannot change the scope and amount of the 5.5% Pledged SUT. The Commonwealth may not exempt goods from the 5.5% Pledged SUT without providing for substitution of collateral of equal value</li> <li>– New York law and forum</li> <li>– Other terms and conditions subject to agreement</li> <li>– Payment caps TBD</li> </ul> </li> </ul>

## SIDE-BY-SIDE SUMMARY (CONT'D)

	FEBRUARY 9, 2020 PSA	JULY 30, 2020 FOMB PROPOSAL	AUGUST 24, 2020 PSA CREDITORS PROPOSAL
SETTLING RECOVERIES <sup>(1)</sup>	<ul style="list-style-type: none"> <li>▪ Vintage GO: 74.874%</li> <li>▪ 2011 GO (D, E and PIB): 73.800%</li> <li>▪ 2011 GO: 70.401%</li> <li>▪ 2012 GO: 69.887%</li> <li>▪ 2014 GO: 65.358%</li> <li>▪ Vintage PBA: 77.582%</li> <li>▪ 2011 PBA: 76.810%</li> <li>▪ 2012 PBA: 72.217%</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	<ul style="list-style-type: none"> <li>▪ Same as existing PSA</li> </ul>
PSA RESTRICTION FEE AND CONSUMMATION COSTS	<ul style="list-style-type: none"> <li>▪ \$400MM reserved for PSA Restriction Fee and Consummation Costs</li> <li>▪ Carve-out for classes of retail bondholders with holdings of \$1MM or less that vote to accept POA, capped at \$50MM (any unused portion added to PSA Restriction Fee)</li> <li>▪ Consummation Costs to Proposal Creditors (1.25% of claim amount)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Same as existing PSA</li> </ul>	<ul style="list-style-type: none"> <li>▪ Same as existing PSA</li> </ul>
SECURITIES DESIGN	<ul style="list-style-type: none"> <li>▪ New GO Bonds</li> <li>▪ New COFINA Junior Lien Bonds</li> <li>▪ Weighted average discount rate of 5.548%</li> </ul>	<ul style="list-style-type: none"> <li>▪ New GO Bonds</li> <li>▪ New COFINA Junior Lien Bonds</li> <li>▪ Weighted average discount rate of 4.135% - 4.811%</li> <li>▪ Further detail on securities design to be provided at the August meditation session</li> </ul>	<ul style="list-style-type: none"> <li>▪ New GO Bonds</li> <li>▪ New COFINA Junior Lien Bonds</li> <li>▪ Weighted average discount rate of 5.548%</li> </ul>
DEEMED ISSUANCE DATE	<ul style="list-style-type: none"> <li>▪ 3/1/2020</li> </ul>	<ul style="list-style-type: none"> <li>▪ 7/1/2021</li> </ul>	<ul style="list-style-type: none"> <li>▪ 3/1/2020</li> </ul>

Note: All stated recoveries are calculated on the respective proposal date. All items remain subject to additional diligence.

(1) Based on claims gross of OID. Excludes PSA Restriction Fee and Consummation Costs.



## SIDE-BY-SIDE SUMMARY (CONT'D)

	FEBRUARY 9, 2020 PSA	JULY 30, 2020 FOMB PROPOSAL	AUGUST 24, 2020 PSA CREDITORS PROPOSAL
MAXIMUM ANNUAL DEBT SERVICE	<ul style="list-style-type: none"> <li>■ \$1,472MM</li> <li>– Represents 8.8% of FY19 own-source plus COFINA revenues<sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ \$1,050MM</li> <li>– Represents 6.8% of FY20 own-source plus COFINA revenues<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ FY20 to FY21: \$1,050MM (6.8% of FY20 own-source plus COFINA revenues<sup>(2)</sup>)</li> <li>■ FY22 to FY44: \$1,197MM (7.8% of FY20 own-source plus COFINA revenues<sup>(2)</sup>)</li> </ul>
CALL PROTECTION	<ul style="list-style-type: none"> <li>■ Callable starting on 7/1/2030 (NC-10)</li> <li>– 103% on 7/1/2030</li> <li>– 102% on 7/1/2031</li> <li>– 101% on 7/1/2032</li> <li>– 100% on 7/1/2033</li> </ul>	<ul style="list-style-type: none"> <li>■ N/A</li> </ul>	<ul style="list-style-type: none"> <li>■ To be determined</li> </ul>
DEBT CAP POLICY	<ul style="list-style-type: none"> <li>■ Comprehensive cap on all net tax-supported debt of 9.16% of Debt Policy Revenues<sup>(3)</sup> as referenced in Section 57.4 of the POA</li> </ul>	<ul style="list-style-type: none"> <li>■ N/A</li> </ul>	<ul style="list-style-type: none"> <li>■ To be determined</li> </ul>
SECURED DEBT LIMIT	<ul style="list-style-type: none"> <li>■ Secured debt cap of 0.25% of Debt Policy Revenues<sup>(3)</sup> above and beyond the percentage of COFINA 1<sup>st</sup> Lien and COFINA Junior Lien debt service to Debt Policy Revenues</li> </ul>	<ul style="list-style-type: none"> <li>■ N/A</li> </ul>	<ul style="list-style-type: none"> <li>■ To be determined</li> </ul>
OID	<ul style="list-style-type: none"> <li>■ GO and PBA claims gross of unaccreted OID in calculating recovery to classes</li> <li>■ GO and PBA claims net of OID in calculating recovery within classes</li> </ul>	<ul style="list-style-type: none"> <li>■ Assumed to be the same as the existing PSA</li> </ul>	<ul style="list-style-type: none"> <li>■ Same as existing PSA</li> </ul>
OTHER	<ul style="list-style-type: none"> <li>■ Pensioners' contingent value rights to be discussed with Official Committee of Retirees, subject to approval and consent of FOMB</li> </ul>	<ul style="list-style-type: none"> <li>■ N/A</li> </ul>	<ul style="list-style-type: none"> <li>■ PSA to include provisions to protect creditors against renegotiation</li> <li>■ Mechanics of new PSA, to be negotiated, with new milestones and covenants</li> </ul>

Note: All items remain subject to additional diligence.

(1) Based on FY2019 own-source plus COFINA revenues per the May 9, 2019 Certified Fiscal Plan.

(2) Based on FY2020 own-source plus COFINA revenues per the May 27, 2020 Certified Fiscal Plan adjusted for actual General Fund revenues per Hacienda.

(3) Debt Policy Revenues to be equal to Adj. Revenue Post-Measures (Excl. Federal Transfers) plus COFINA Revenues.

- PRIVILEGED AND CONFIDENTIAL -  
- FOR DISCUSSION PURPOSES ONLY -  
- SUBJECT TO MEDIATION PRIVILEGE -

## APPENDIX

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## ADJUSTED TSA BALANCE AS OF JUNE 30, 2020 (\$MM)

Variance on FY2020 TSA Balance	
	FY2020
FOMB June 30, 2020 Ending Cash Balance	\$9,707
Less: Additional Unrestricted Cash (Non-TSA) <sup>(1)</sup>	(1,531)
Plus: Emergency Reserve (Segregation / Replenishment) <sup>(2)</sup>	520
Less: Deferred Income Taxes <sup>(3)</sup>	(601)
<b>Implied TSA Balance as of June 30, 2020</b>	<b>\$8,095</b>
Actual TSA Balance as of June 30, 2020 <sup>(4)</sup>	8,774
Less: FY2020 Emergency Reserve	(130)
<b>Adjusted TSA Balance as of June 30, 2020</b>	<b>\$8,644</b>
<b>Variance on FY2020 TSA Balance</b>	<b>\$549</b>

(1) Includes non-TSA unrestricted cash as of June 30, 2019. Subject to further analysis.

(2) Emergency reserve for FY2017, FY2018, FY2019 included in beginning TSA balance. Replenishment of FY2019 and FY2020 reserves.

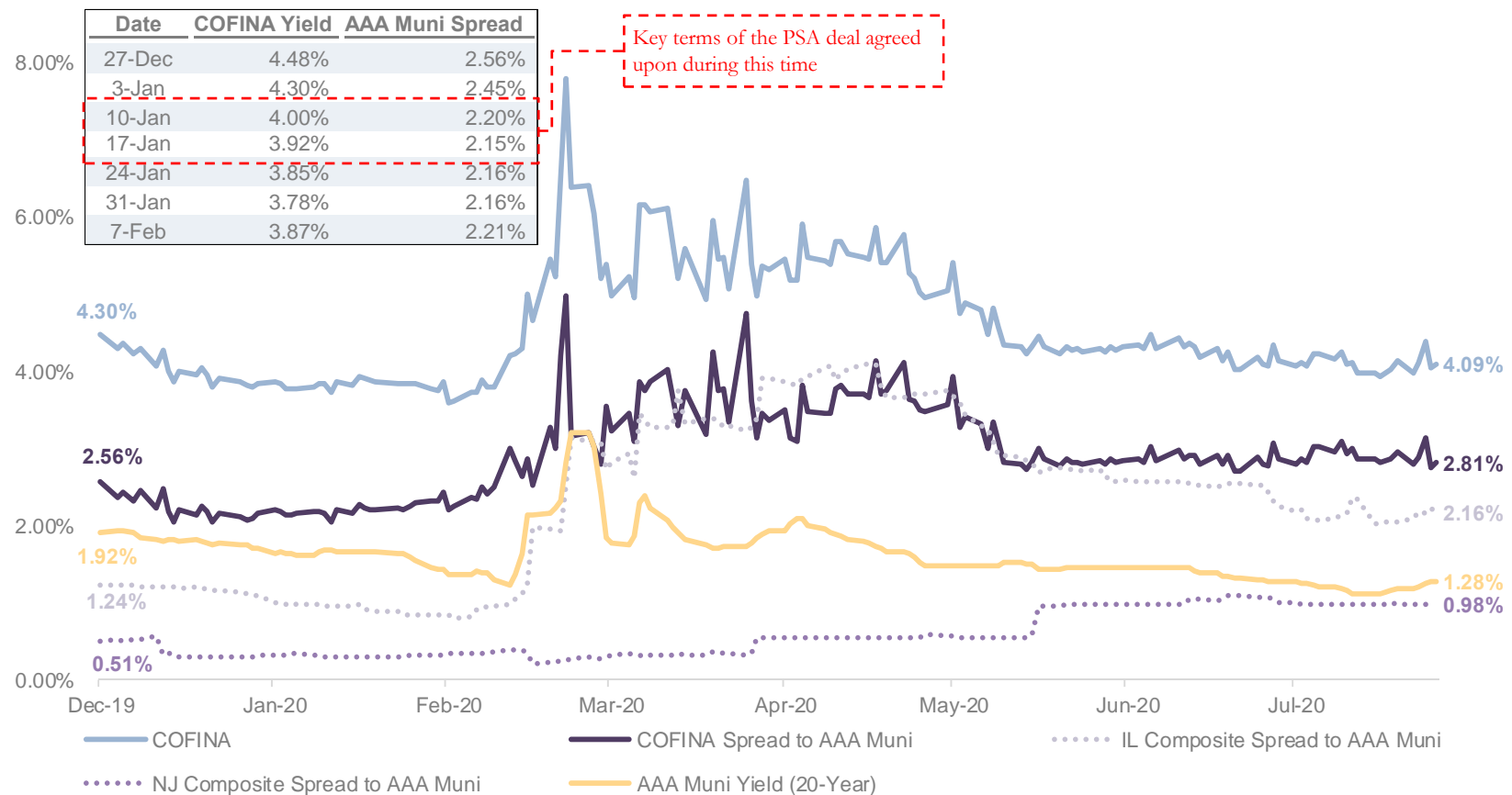
(3) Based on the May 27, 2020 Certified Fiscal Plan. Represents the income tax revenue that will be delayed due to the income tax deadline extension, which will be treated as FY2020 revenue.

(4) Per AAFAF TSA Report as of June 30, 2020. Includes \$1,024 million in TSA sweep account and \$49 million in unallocated SUT.

# COFINA SUMMARY

Senior COFINA yield is currently trading at almost the same yield as in the middle of January 2020 when the final terms of the PSA were agreed upon, but its spread to AAA muni index has widened by ~60 bps

COFINA, IL & NJ: YTM Trading History and Spread<sup>(1)</sup>



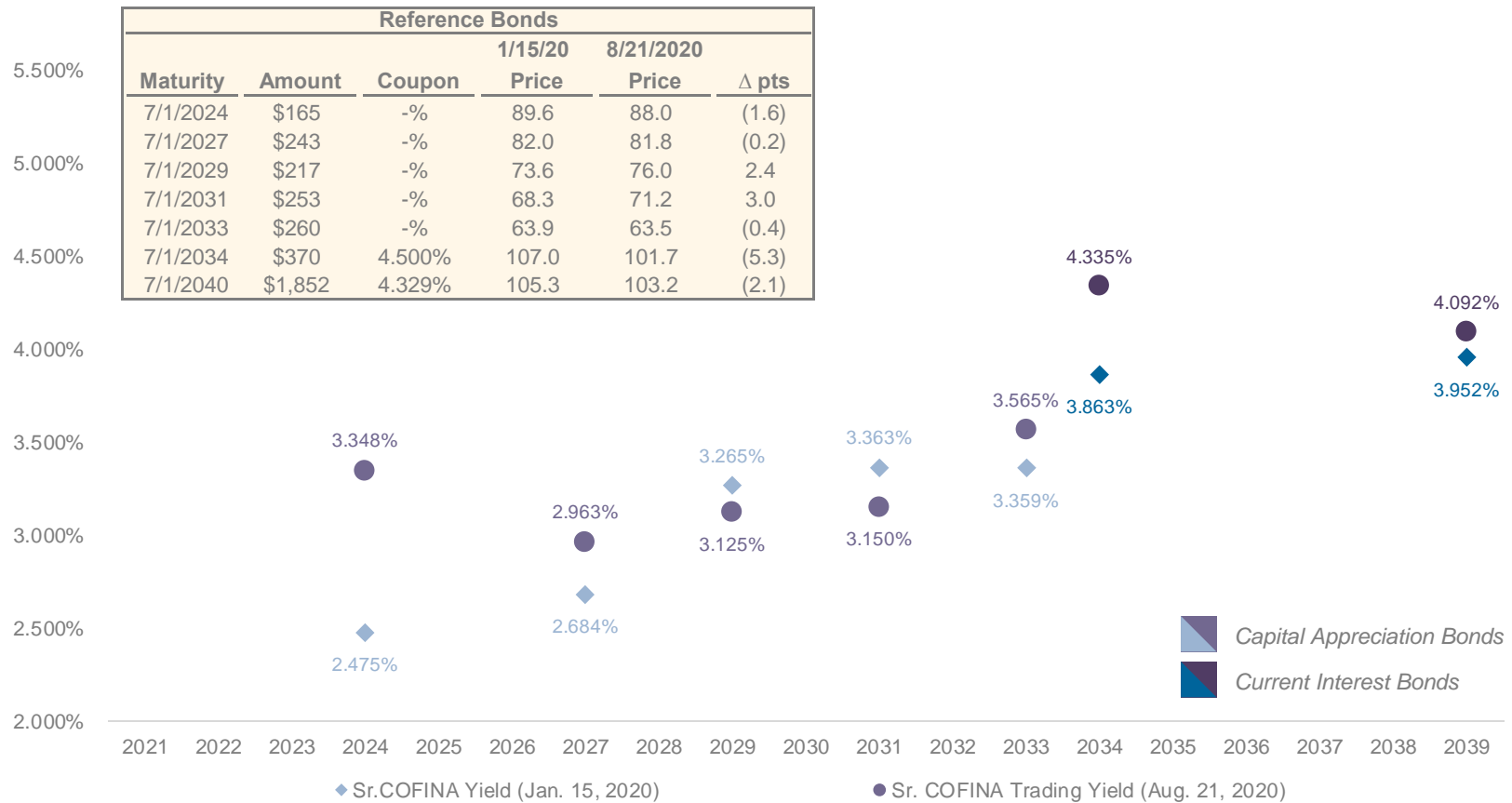
Source: Bloomberg as of August 21, 2020.

(1) Based on 4.329% due 2040. State municipal yields represent composite yields. Comparison against 20-year AAA municipal index.

# SENIOR COFINA HISTORICAL TRADING CURVE (\$MM)

Since January, Senior COFINA's yield curve had shifted upward as a result of macroeconomic and capital markets pressures; however, it has recently come back in line with previous trading yields

Senior COFINA Historical Trading Curve<sup>(1)</sup>



Source: Bloomberg as of August 21, 2020.

(1) Based on historical trading yield.